

October 9th, 2023
Banking, Equity

Price IDR 630
Target Price IDR 750
JKSE Index IDR 6,891.46



Stock Code BJTM IJ
Bloomberg code 9,366 B
Market cap (IDR, bn) 755
52-Week High (IDR) 620
52-Week Low (IDR) 656
6-m Avg Daily, Val (IDR) 20.52
Free Float (%) 20.52

Major Shareholders (%)

Jatim Government 51.13
Public 20.52
Others 28.35

USD/IDR(YE)

2021A 14,291
2022F 15,245.97

Key Indicators

Non-Performing Loan (%) 2.65
Net Interest Margin (x) 5.72

Investment Consideration

Negative Net Income Growth

In the first semester of 2023, BJTM reported IDR 0.72 trillion in Net Income, reflecting a negative growth of 11.68% compared to the same period last year. This decline was influenced by a significant 13.62% YoY increase in interest expenses. However, despite this condition, the NIM ratio continued to grow by 0.02% compared to the previous quarter. The substantial reduction in asset impairment expenses contributed to the company's ability to generate profit, albeit with a deflation of 66.22% YoY. This, in turn, led to an increase in the ROA and ROE ratios by 7 basis points and 27 basis points, respectively, to 1.91% and 13.80%. We forecast that BJTM will improve its profitability by achieving a 9.41% YoY growth in Net Income, reaching IDR 1.69 trillion in FY23.

Significant Loan and CASA Ratio Growth

As of June 2023, BJTM reported strong loan growth, up by 13.02% YoY compared to June 2022. The highest growth came from the Commercial SME segment, which increased by 25.55% YoY. The CASA ratio was higher than last year, up by 3.66% YoY to a level of 59.54%, driven by an 8% increase in Saving Account, although it was lower by 42 bps compared to the previous quarter. We project that BJTM will continue to expand its loans by another 7.79% while increasing the CASA ratio to the level of 61.01%.

Better Credit Risk Management with Asset Quality Enhancement

BJTM managed its risks exceptionally well in the first half of 2023, as evidenced by a significant improvement in its asset quality. As of June 2023, its NPL ratio decreased by 1.32% YoY to 2.80%. The most notable improvement was observed in the Commercial SME segment, which decreased by 1.18% to a level of 1.78%, while the best-performing segment was Consumer, accounting for only 1.02%. This led to a downgrade of the credit risk to 2.71 in June 2023 from 2.78 in March 2023. We forecast that BJTM will continue to manage its credit risk effectively, further decreasing its NPL ratio by another 18 bps YoY to a level of 2.65% in FY23.

Valuation: 19% Upside, Hold

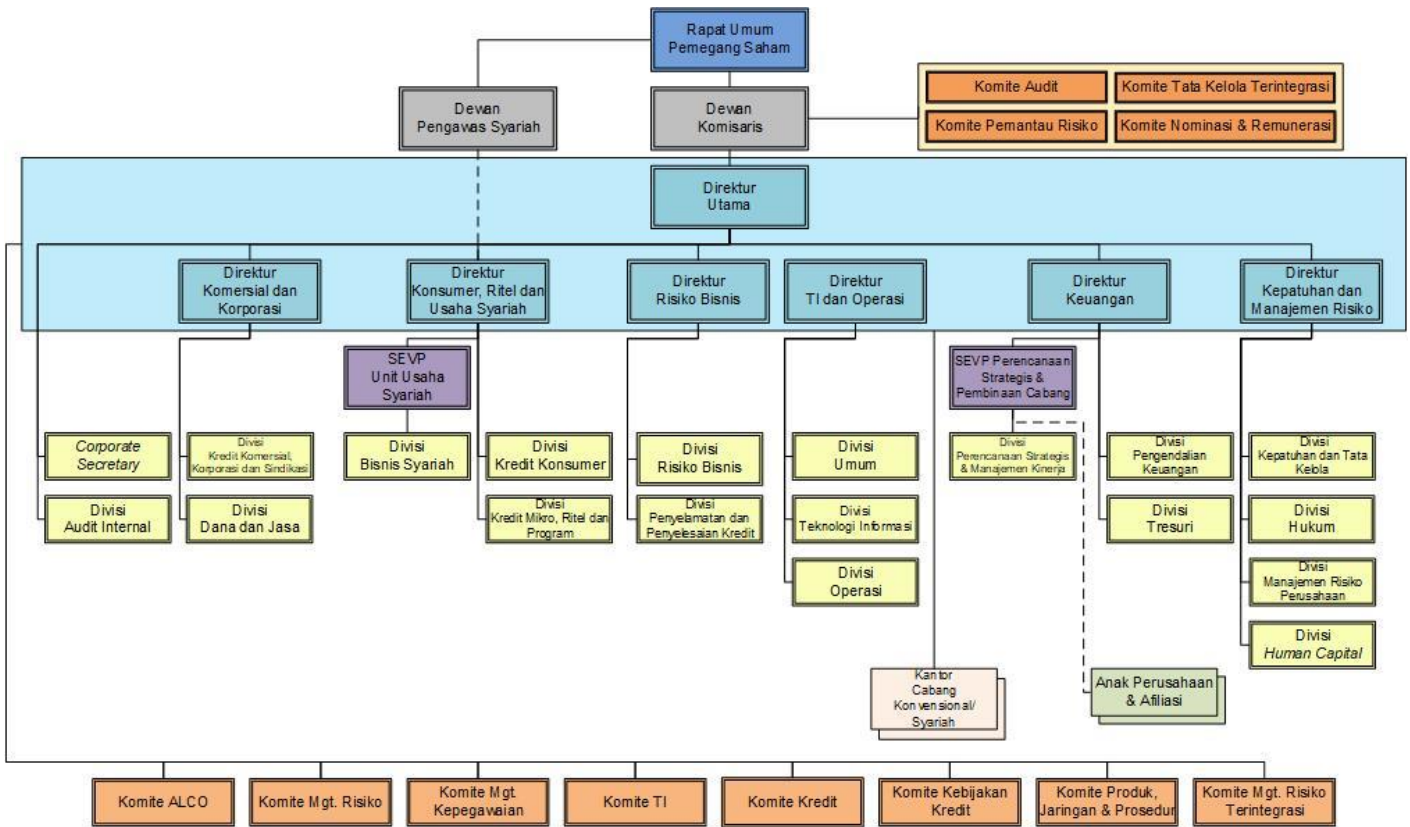
Based on our DDM Valuation, we have a target price within one year of IDR 750 or trading at 0.9x PBV which gives 19% potential upside, Hold.

Financial Highlight	2019A	2020A	2021A	2022A	2023F
Net Interest Income (IDR bn)	4,000	4,057	4,678	4,917	5,210
Net Income (IDR Bn)	1,377	1,489	1,523	1,543	1,688
EPS (IDR)	91.9	99.2	101.4	102.7	112.4
NIM (%)	6.11%	5.55%	5.11%	5.11%	5.72%
ROA (%)	2.73%	1.95%	2.05%	1.95%	1.60%
ROE (%)	18.00%	18.77%	17.26%	16.24%	13.42%

Company Profile

PT Bank Pembangunan Daerah Jawa Timur Tbk (the “Bank”) was established under the name of PT Bank Pembangunan Daerah Djawa Timur based on the notarial deed No.91 dated August 17, 1961 of Anwar Mahajudin. Pursuant to Law No.13 year 1962 regarding the Basic Terms for Regional Development Banks, which require that the establishment of Regional Development Banks be based on Municipal District Regulations, therefore the Municipal District I of East Java issued Municipal District Regulation No.2 in 1976. Based on this Municipal District Regulation, the name of PT Bank Pembangunan Daerah Djawa Timur was changed to Bank Pembangunan Daerah Jawa Timur. The main role of the Bank is to participate in developing regional economic growth by providing financial services to small and medium sized businesses to achieve appropriate profit levels. The bank’s main activities involve collecting and lending funds and other banking services.

Company Structure



Source: Company

Chart: Gross Loan (IDR Bn) YoY

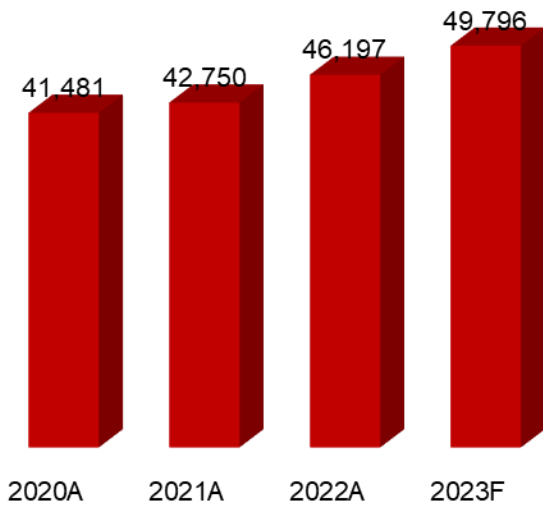


Chart: Customer Deposit (IDR Bn) YoY

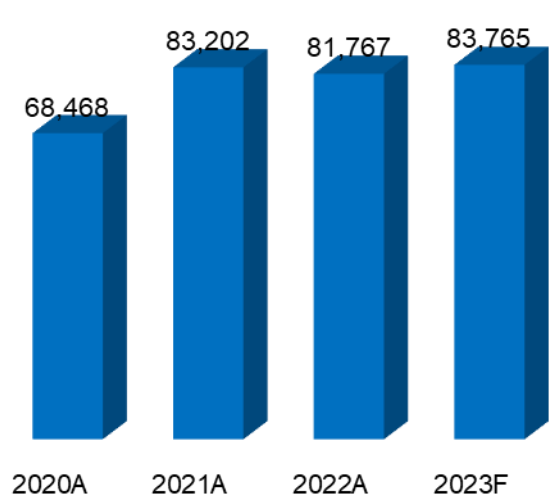


Chart: Profitability YoY

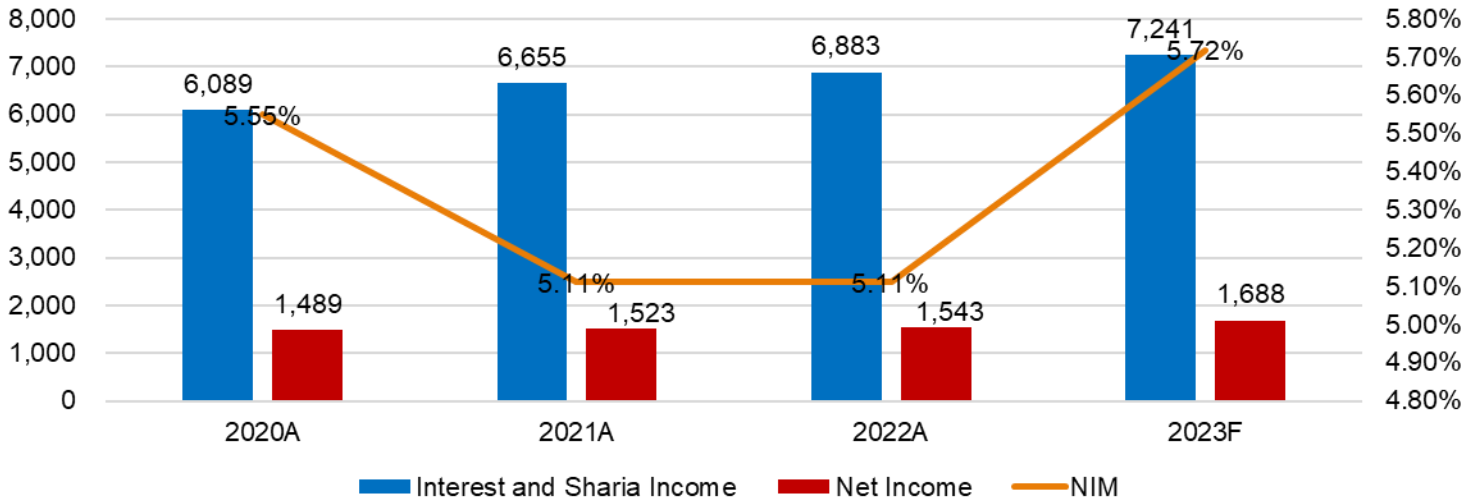


Chart: Non-Performing Loan YoY

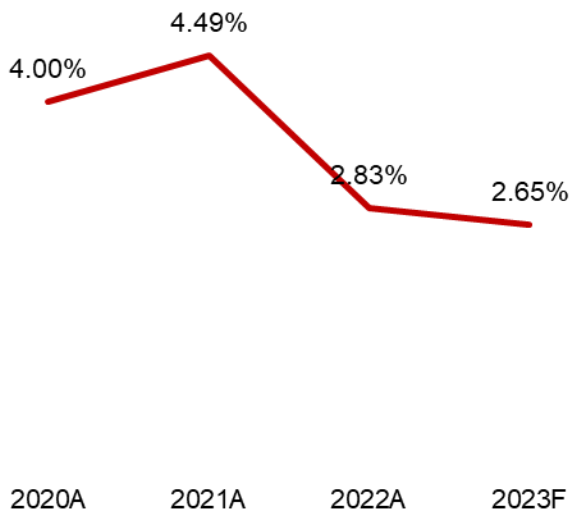


Chart: Capital Adequacy Ratio YoY

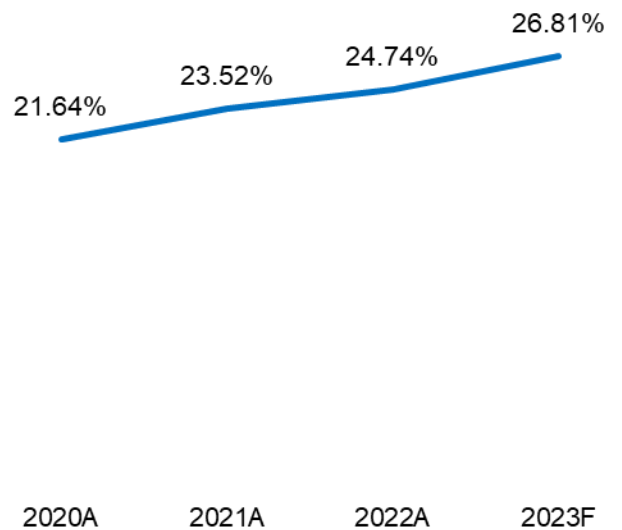


Chart: Gross Loan (IDR Bn) QoQ

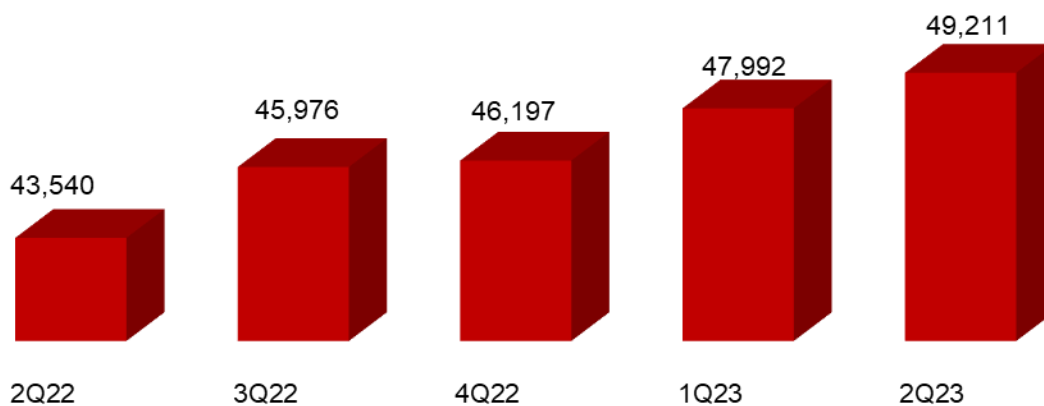


Chart: Customer Deposit (IDR Bn) QoQ

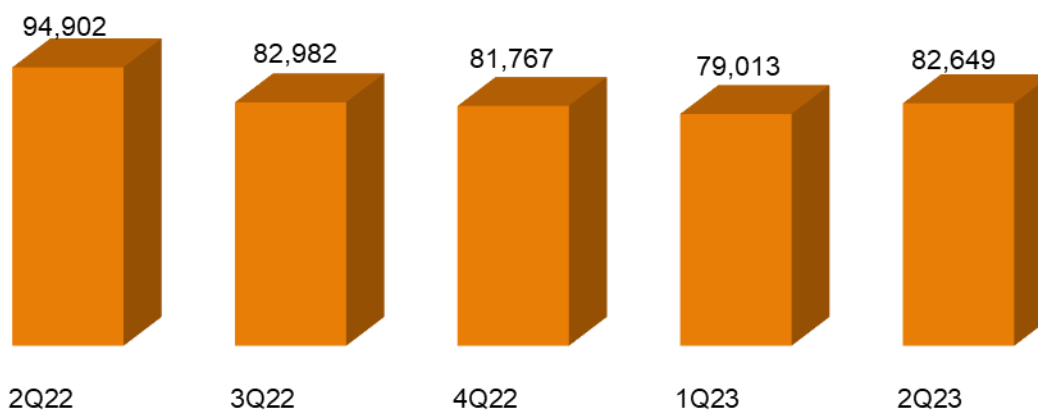
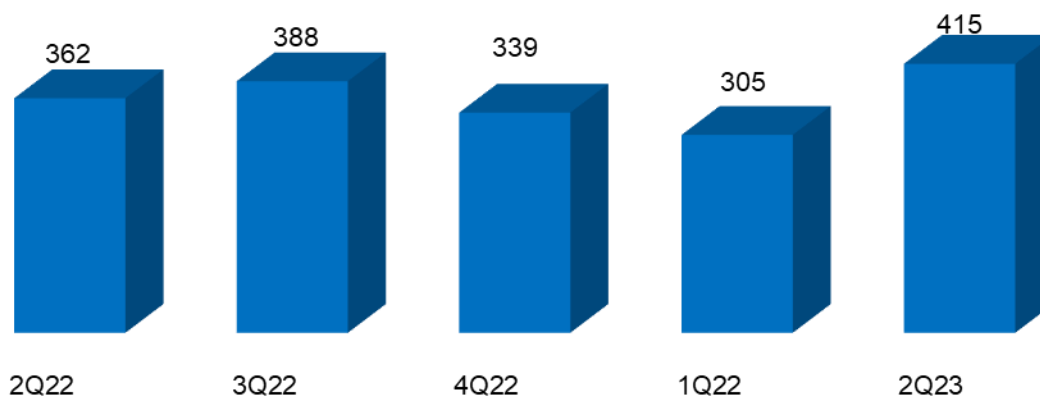


Chart: Net Income (IDR Bn) QoQ



Balance Sheet (IDR,bn)

Balance sheet (IDR bn)	2020A	2021A	2022A	2023F
Cash and CA with BI	6,172	10,828	12,775	10,820
Interbank Placement	6,884	9,916	6,913	8,896
Marketable Securities	27,232	35,804	31,040	29,141
Gross Loan	41,481	42,750	46,197	49,796
Allowance for Loans	(1,455)	(1,831)	(1,319)	(1,133)
Loans(net)	40,026	40,918	44,878	48,663
Other Earning Asset	35,040	46,955	43,284	42,943
Non-Earning Asset	2,382	2,022	2,095	3,091
Total Assets	83,619	100,723	103,031	105,516
Deposit:				
Current Account	21,129	25,976	23,635	23,526
Saving Account	22,874	24,899	26,344	27,577
Time Deposits	24,465	32,327	31,789	32,662
Other Interest-Bearing Liabilities	3,340	4,782	8,103	7,374
Non-Interest-Bearing Liabilities	1,806	1,829	1,715	1,803
Total Liabilities	73,615	89,813	91,586	92,942
Total Shareholder's Equity	10,005	10,911	11,446	12,575

Income Statement (IDR,bn)

Income Statement (IDR bn)	2020A	2021A	2022A	2023F
Interest Income	6,089	6,655	6,883	7,241
Interest Expense	(2,031)	(1,977)	(1,966)	(2,031)
Net Interest Income	4,057	4,678	4,917	5,210
Net Operating Income	418	806	534	628
Operating Expense	(2,391)	(2,874)	(3,105)	(3,140)
PPOP	2,084	2,610	2,345	2,698
Provision Expense	(568)	(819)	(405)	(675)
Operating Profit	1,516	1,791	1,941	2,024
Non-Operating Income	(9)	147	89	154
Profit Before Tax	1,507	1,938	2,030	2,178
Tax Expense	18	415	487	490
Net Profit	1,489	1,523	1,543	1,688
EPS (Rp/Share)	99.2	101.4	102.7	112.4

Ratio Highlights

Ratio Analysis	2020A	2021A	2022A	2023F
Profitability & Efficiency				
NIM	5.55%	5.11%	5.11%	5.72%
Cost-to-Income Ratio	36.91%	38.83%	38.41%	39.90%
ROE	18.77%	17.26%	16.24%	13.42%
ROA	1.95%	2.05%	1.95%	1.60%
BOPO	77.76%	75.95%	76.15%	74.28%
Cost of Credit	1.37%	1.01%	0.84%	1.35%
Liquidity				
LDR	60.58%	51.38%	56.50%	59.45%
CASA	64.27%	61.15%	61.12%	61.01%
Asset Quality				
Gross NPL	4.00%	4.49%	2.83%	2.65%
Provision Coverage	131.12%	117.64%	119.74%	67.46%
Capital				
CAR	21.64%	23.52%	24.74%	26.81%
Growth				
Loan Growth	8.16%	3.06%	8.06%	7.79%
Deposit Growth	13.08%	21.52%	-1.72%	2.44%
Net Income Growth	8.17%	2.29%	1.30%	9.41%

BJTM QoQ Result

Balance Sheet	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Loan	43,540	45,976	46,197	47,992	49,211	2.54%	13.02%
Loan Loss Reserves	(1,784)	(1,709)	(1,319)	(1,474)	(1,345)	-8.76%	-24.61%
NPL	1,794	1,710	1,307	1,459	1,378	-5.56%	-23.19%
Deposit							
Demand	28,055	24,926	23,635	22,059	22,632	2.60%	-19.33%
Savings	23,060	24,151	26,344	23,721	24,905	4.99%	8.00%
Time Deposit	43,787	33,905	31,789	33,234	35,111	5.65%	-19.81%
Total Asset	108,925	98,477	103,031	96,620	103,005	6.61%	-5.43%
Shareholder Equity	10,675	10,908	11,446	11,756	11,497	-2.21%	7.70%
Income Statement	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY
Interest Income	1,707	1,749	1,724	1,766	1,753	-0.72%	2.70%
Interest Expense	(504)	(454)	(541)	(578)	(525)	-9.14%	4.17%
Net Interest Income	1,203	1,296	1,183	1,188	1,228	3.37%	2.09%
Net Operating Income	682	198	(532)	154	155	0.81%	-77.24%
Operating Expense	(761)	(804)	(906)	(754)	(729)	-3.24%	-4.14%
PPOP	1,123	689	(256)	588	654	11.18%	-41.81%
Provision Expense	(654)	(143)	597	(183)	(107)	-41.50%	-83.66%
Operating Profit	469	545	341	405	547	34.94%	16.53%
Non-Operating Income	14	(46)	114	(6)	(9)	40.18%	-161.58%
Tax Expense	(122)	(111)	(115)	(94)	(123)	31.33%	1.31%
Net Profit	362	388	339	305	415	35.95%	14.70%
Ratio	2Q22	3Q22	4Q22	1Q23	2Q23	QoQ	YoY
Profitability							
NIM	4.92%	5.17%	5.11%	5.30%	5.38%	0.08	0.46
Cost-to-Income Ratio	32.33%	35.33%	38.41%	37.99%	38.82%	0.83	6.49
ROE	17.58%	15.85%	16.24%	11.46%	13.80%	2.34	(3.78)
ROA	2.05%	2.92%	1.95%	1.62%	1.91%	0.29	(0.14)
BOPO	74.70%	74.24%	76.15%	79.02%	75.85%	(3.17)	1.15
Cost of Credit	0.97%	0.92%	0.84%	1.51%	1.41%	(0.10)	0.44
Liquidity							
LDR	45.88%	55.40%	56.50%	60.74%	59.54%	(1.20)	13.66
CASA	53.86%	59.14%	61.12%	57.94%	57.52%	(0.42)	3.66
Asset Quality							
Gross NPL	4.12%	3.72%	2.83%	3.03%	2.80%	(0.23)	(1.32)
Provision Coverage	99.39%	99.89%	100.72%	101.55%	97.70%	(3.85)	(1.69)
Capital							
CAR	23.31%	22.65%	24.74%	28.47%	26.03%	(2.44)	2.72

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater.

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
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